

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 INR-07 NSAE-00 PA-02

USIA-15 PRS-01 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 COME-00 FRB-01

XMB-04 OPIC-06 LAB-04 SIL-01 /096 W

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R 041000Z JUN 75

FM AMEMBASSY BERN

TO SECSTATE WASHDC 760

INFO AMCONSUL ZURICH

UNCLAS BERN 2282

E.O. 11652: N/A

TAGS: EFIN SZ

SUBJECT: JUNE 8 REFERENDUM ON TAXES AND OTHER FINANCIAL MATTERS

1. IN JUNE 8 NATIONAL REFERENDUM SWISS WILL VOTE ON FOLLOWING  
FIVE FINANCIAL ISSUES WHICH WILL HAVE CONSIDERABLE INFLUENCE  
ON SWITZERLAND'S FUTURE FISCAL PROBLEMS:

A. EXTENSION OF DECREE ON PROTECTION OF CURRENCY DUE  
EXPIRE AUGUST 10, WHICH PROVIDES LEGAL BASIS FOR  
REGULATION OF FOREIGN EXCHANGE TRANSACTIONS AND  
CAPITAL FLOWS.

B. APPROVAL OF TIGHTER PARLIAMENTARY CONTROL OVER NEW  
OR INCREASED EXPENDITURES BY FEDERAL GOVERNMENT.

C. CONTINUATION OF SPECIAL SURTAX ON GASOLINE.

D. CONTINUATION OF PRESENT IMPORT SURTAX ON HEATING OIL.

E. APPROVAL OF PROPOSED INCREASE IN RETAIL AND WHOLESALE  
TURNOVER TAXES, HIGHER MAXIMUM INCOME TAX RATE, AND  
RAISED WITHHOLDING TAX ON INVESTMENT INCOME.

2. MAJORITY VOTE OF PEOPLE AND CANTONS REQUIRED FOR  
APPROVAL OF EACH DECREE.

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3. A. AND B. SHOULD RECEIVE FAVORABLE VOTES WITH

LITTLE DIFFICULTY. BOTH HAVE BEEN ACCEPTED BY PREVIOUS REFERENDA AND THERE IS LITTLE OPPOSITION.

4. APPROVAL OF SURTAXES ON GASOLINE AND HEATING OIL, WHICH HAVE BEEN IN FORCE SINCE OCTOBER 1974, MORE PROBLEMATIC. REFERENDUM ON SURTAXES FORCED ON GOVERNMENT BY PUBLIC PETITION. REVENUES FROM GASOLINE SURTAX EARMARKED FOR ROAD BUILDING PROGRAMS AND CONTINUATION OF SURTAX SUPPORTED BY AUTO CLUBS, CONSTRUCTION FIRMS, AND NATIONAL COMMITTEES OF THREE MAJOR POLITICAL PARTIES (ALTHOUGH SOME PARTIES AT CANTONAL LEVEL OPPOSED). RADICAL AND SOCIALIST PARTIES RECOMMEND "NO" VOTE ON HEATING OIL SURTAX ON GROUNDS IT PUTS EXCESSIVE BURDEN ON LOW-INCOME FAMILIES.

5. DECREE PROPOSING INCREASES IN TURNOVER, INCOME, AND WITHHOLDING TAXES EXPECTED HAVE GREATEST DIFFICULTY IN OBTAINING VOTER APPROVAL. SIMILAR PROPOSAL FOR SOMEWHAT GREATER INCREASES WAS REJECTED IN DECEMBER 8 REFERENDUM. SINCE THAT TIME, HOWEVER, GOVERNMENT EXPENDITURE AND SUBSIDY PROGRAMS SIGNIFICANTLY REDUCED AND SWISS ECONOMY HAS BEGUN FEEL EFFECTS OF RECESSION. CUT IN GOVERNMENT SUBSIDY TO SOCIAL SECURITY PROGRAM, AND CONSEQUENT INCREASE IN INDIVIDUAL CONTRIBUTIONS, HAS SHOWN SWISS VOTER THAT EXPENDITURE REDUCTIONS CAN HURT.

6. IF TAX REFERENDA DEFEATED, 1976 DEFICIT ESTIMATED AT SF 2.4 BILLION COMPARED WITH MANAGEABLE SF 500 MILLION IF TAXES APPROVED. IN RECENT MONTHS, NEED FOR GOVERNMENT ACTION TO COMBAT RECESSION HAS BECOME MORE APPARENT TO PUBLIC. THESE FACTORS MAY MAKE SWISS VOTER MORE WILLING ACCEPT HIGHER TAXES.  
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